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*Canary*

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**COMPRO  
LIMITED**

THIRTY-SECOND  
ANNUAL  
REPORT  
1976



## BOARD OF DIRECTORS

*M.O. SIMPSON, JR.	<i>Paradise Valley, Arizona, Chairman of the Board and Executive Committee</i>
J.P. CARRIÈRE	<i>Montreal</i>
B.T.H. KNILL	<i>Toronto</i>
*P.S. NEWELL	<i>Toronto</i>
M.O. SIMPSON	<i>Oracle, Arizona</i>
D.L. TORREY	<i>Montreal</i>
*H.M. TURNER	<i>Toronto</i>

*\*Members of Executive Committee*

## OFFICERS

M.O. SIMPSON, JR.	<i>President</i>
B.T.H. KNILL	<i>Vice President &amp; Secretary-Treasurer</i>
P.H. SLAUGHTER	<i>Vice President</i>
R.A. DAVIS	<i>Vice President</i>
K.W. DEARLOVE	<i>Controller</i>

## TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY

*Edmonton, Halifax, Montreal, Toronto, Vancouver and Winnipeg*

REGISTRAR AND TRANSFER COMPANY

*34 Exchange Place, Jersey City, N.J. 07302*

## AUDITORS

COOPERS AND LYBRAND

## THE DIRECTORS' REPORT

*To the Shareholders of*

COMPRO LIMITED

Consolidated sales increased by \$1,952,141 to \$31,039,644. Net earnings were \$1,197,477 which, after deducting \$110,000 dividends on the Preferred Shares, was equal to \$1.78 per Common Share compared to \$1.64 a year ago. Working capital increased by \$717,429 to \$6,672,492 at August 31, 1976.

Earnings contributions from the Canadian operations continued to increase while the U.S. subsidiary operated at a loss, which arose at the Frink Sno-Plow division. ||

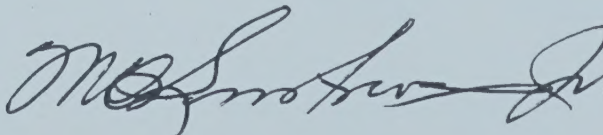
During the fiscal year the land and buildings in Danville, Virginia and Alpena, Michigan were sold as they were no longer needed for manufacturing purposes. Expenditures on land and buildings, machinery and equipment amounted to \$1,047,585 for the year. ||

Subsequent to the balance sheet date, Melson Inc. was successful in acquiring all the Common Shares of the Company. The Fort Garry Industries division was sold and Compro-Frink Corporation was realigned to become a wholly-owned subsidiary of Melson Inc. ||

No satisfactory solution to the Company's Anti-Inflation Board problem has been found, as evidenced by Note 9 to the financial statements.

The directors of the Company wish to express their appreciation to the officers and employees for their efforts during the past year.

On behalf of the Board of Directors



Chairman

Toronto  
November 30, 1976

**CONSOLIDATED BALANCE SHEET** AS AT AUGUST 31, 1976

			<u>1976</u>	<u>1975</u>
			\$	\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash .....			1,057,724	761,002
Accounts receivable .....			3,269,413	3,479,753
Income taxes refundable .....			372,416	—
Inventories at the lower of cost or net realizable value (Note 1) .....			6,938,139	5,678,301
Prepaid expenses .....			214,335	206,770
			<u>11,852,027</u>	<u>10,125,826</u>
 <b>FIXED ASSETS</b>				
	Cost	Accumulated Depreciation		
	\$	\$		
Land .....	344,452	—	344,452	279,634
Buildings .....	2,436,076	1,129,437	1,306,639	1,322,723
Machinery and Equipment .....	6,408,453	5,120,861	1,287,592	1,099,522
	<u>9,188,981</u>	<u>6,250,298</u>	<u>2,938,683</u>	<u>2,701,879</u>
 <b>OTHER ASSETS .....</b>				
			28,494	86,905
			<u>14,819,204</u>	<u>12,914,610</u>

COMPRO LIMITED AND WHOLLY OWNED SUBSIDIARY COMPANIES

LIABILITIES	1976 \$	1975 \$
CURRENT LIABILITIES		
Bank Loans (Note 3) .....	341,000	580,000
Accounts payable and accrued liabilities .....	3,906,432	2,757,822
Income and other taxes payable .....	533,291	369,851
Portion of long term liabilities due within one year (Note 4) .....	398,812	463,090
	<u>5,179,535</u>	<u>4,170,763</u>
LONG TERM LIABILITIES (Note 4).....	1,758,795	1,910,129
DEFERRED INCOME TAXES .....	325,000	200,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—		
200,000 Preferred Shares of the par value of \$20 each, issuable in series		
1,200,000 Common Shares without nominal or par value		
Issued and fully paid—		
100,000 \$1.10 Cumulative Preferred Shares, Series A, redeemable at \$21.50 .....	2,000,000	2,000,000
612,300 Common Shares .....	157,250	157,250
RETAINED EARNINGS .....	<u>5,398,624</u>	<u>4,476,468</u>
	<u>7,555,874</u>	<u>6,633,718</u>
	<u><u>14,819,204</u></u>	<u><u>12,914,610</u></u>

Signed on behalf of the Board:

M.O. SIMPSON, JR., *Director*

B.T.H. KNILL, *Director*

**CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE YEAR ENDED AUGUST 31, 1976

	1976	1975
	\$	\$
SALES (Note 2) .....	31,039,644	29,087,503
COSTS		
Cost of products sold .....	24,054,774	22,669,700
Advertising .....	195,525	115,348
Selling expenses .....	1,540,705	1,193,269
Research and product development .....	63,309	104,524
Administrative and general expenses .....	2,137,077	1,817,063
Depreciation and amortization .....	456,736	398,688
Remuneration of directors and senior officers (Note 5) .....	448,730	442,138
Profit on disposal of facilities no longer required for manufacturing .....	(125,562)	—
	<u>28,771,294</u>	<u>26,740,730</u>
EARNINGS BEFORE INTEREST AND INCOME TAXES .....	<u>2,268,350</u>	<u>2,346,773</u>
INTEREST		
Bank loans .....	986	152,566
Long term liabilities .....	<u>214,887</u>	<u>225,232</u>
	<u>215,873</u>	<u>377,798</u>
EARNINGS BEFORE INCOME TAXES .....	<u>2,052,477</u>	<u>1,968,975</u>
INCOME TAXES		
Current .....	730,000	840,000
Deferred .....	<u>125,000</u>	<u>17,000</u>
	<u>855,000</u>	<u>857,000</u>
NET EARNINGS FOR THE YEAR .....	<u><u>1,197,477</u></u>	<u><u>1,111,975</u></u>
Per Common Share (after dividends on Preferred Shares) .....	\$1.78	\$1.64

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

FOR THE YEAR ENDED AUGUST 31, 1976

	<u>1976</u>	<u>1975</u>
	\$	\$
RETAINED EARNINGS—beginning of year .....	<u>4,476,468</u>	<u>3,474,493</u>
NET EARNINGS FOR THE YEAR .....	<u>1,197,477</u>	<u>1,111,975</u>
DIVIDENDS—Preferred Shares .....	110,000	110,000
—Common Shares .....	<u>165,321</u>	<u>—</u>
	<u>275,321</u>	<u>110,000</u>
	<u>922,156</u>	<u>1,001,975</u>
RETAINED EARNINGS—end of year .....	<u><u>5,398,624</u></u>	<u><u>4,476,468</u></u>

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Compro Limited and wholly owned subsidiary companies as at August 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, November 15, 1976

Coopers & Lybrand  
Chartered Accountants

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

FOR THE YEAR ENDED AUGUST 31, 1976

	<u>1976</u>	<u>1975</u>
	\$	\$
WORKING CAPITAL PROVIDED BY:		
Operations —		
Net earnings for the year .....	1,197,477	1,111,975
Add: Charges not requiring an outlay of funds		
Depreciation and amortization .....	457,218	398,688
Deferred income taxes .....	<u>125,000</u>	<u>17,000</u>
	1,779,695	1,527,663
Disposals of fixed assets .....	353,563	511
Decrease (increase) in other assets .....	<u>58,411</u>	<u>(34,400)</u>
	<u>2,191,669</u>	<u>1,493,774</u>
WORKING CAPITAL APPLIED TO:		
Dividends paid to preferred shareholders .....	110,000	110,000
common shareholders .....	165,321	—
Additions to fixed assets .....	1,047,585	864,576
Decrease (increase) in long term liabilities .....	<u>151,334</u>	<u>(537,467)</u>
	<u>1,474,240</u>	<u>437,109</u>
INCREASE IN WORKING CAPITAL .....	717,429	1,056,665
WORKING CAPITAL—beginning of year .....	<u>5,955,063</u>	<u>4,898,398</u>
WORKING CAPITAL—end of year .....	<u><u>6,672,492</u></u>	<u><u>5,955,063</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1976

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies followed by the company that materially affect the determination of financial position and results of operations are as follows:

#### Basis of Consolidation

The accounts of the company and all subsidiary companies have been consolidated.

#### Translation of Foreign Currencies

The assets, liabilities and earnings of the United States subsidiary companies have been converted to Canadian funds at a rate approximating the year-end rate of exchange. Unrealized losses are charged to earnings and unrealized profits are deferred.

#### Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using either average, standard which approximates average cost, or actual. Cost, where applicable, includes labour and overhead.

	<u>1976</u>	<u>1975</u>
	\$	\$
These comprise:		
Raw Materials .....	1,745,576	1,856,908
Work in Process .....	1,525,607	1,438,204
Finished Goods .....	3,666,956	2,383,189
	<u>6,938,139</u>	<u>5,678,301</u>

#### Fixed Assets and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets for financial reporting purposes and accelerated methods for tax purposes.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss is recognized currently.

#### Income Taxes

The provision for income taxes in the financial statements relates to the items of income and expense included in such statements. To the extent that such items, principally depreciation, are recognized in a different period for tax purposes, deferred income taxes are provided to give effect to these timing differences.

Dividend payments from the subsidiary company in the United States are subject to withholding tax at 15% but are not subject to additional tax in Canada. The company does not anticipate paying dividends in the future out of earnings accumulated in the United States to August 31, 1976 as these earnings have been re-invested on a long term basis. Accordingly withholding taxes have not been provided.

#### Pensions

The most recent valuations of all pension plans by independent actuaries indicates, at August 31, 1976, an unfunded past service liability of \$600,000, of which \$424,000 is actuarially computed to have vested, and an experience deficiency of \$70,000. The unfunded past service liability is being funded over 14 years and the experience deficiency over 4 years. The company has no legal liability with regard to the past service obligations including that portion which is vested.

#### Contracts

A substantial portion of the income of one of the divisions results from contracts on which income is recognized on a percentage of completion basis. All other income is recognized as goods are shipped. When estimates on any contract indicate an ultimate loss, the full amount of the loss is recognized.

## 2. CLASSES OF BUSINESS BY PERCENTAGE OF SALES

	1976	1975
Snow and ice control equipment .....	34%	39%
Hydraulic and traction elevators .....	17	18
Industrial gears and speed reducers .....	25	19
Truck parts, equipment and service .....	13	13
Other (including roll coverings, rubber linings, and miscellaneous steel fabrication) .....	11	11
	<u>100%</u>	<u>100%</u>

## 3. BANK LOANS

\$1,041,000 of the bank loans including term bank loans at August 31, 1976 have been secured by a floating charge debenture on the parent company's assets and by pledging inventories and trade accounts receivable of the divisions of the parent company and its Canadian subsidiary.

## 4. LONG TERM LIABILITIES

	Long Term	Portion due within one year
Term bank loans - scheduled for repayment at varying amounts per year to August 31, 1980 (\$900,000 secured: Note 3) .....	\$ 1,250,000	\$ 350,000
Equipment financing .....	62,556	34,992
Sundry notes and mortgages .....	—	7,000
9% mortgage due September 2014 secured by fixed assets with net book value of \$427,000 .....	396,764	1,100
10% mortgage due February 1986 secured by fixed assets with net book value of \$66,000 .....	49,475	5,720
	<u>1,758,795</u>	<u>398,812</u>

## 5. INFORMATION RE DIRECTORS AND OFFICERS

The company has seven directors whose aggregate remuneration as directors was \$8,500, all of which was paid by the company. The company had six officers (including one who was a past officer) whose aggregate remuneration was \$462,148 (1975, \$400,544) of which \$260,648 (1975, \$205,213) was paid by Compro-Frink Corporation, a wholly owned subsidiary. Two of these officers are also directors.

## 6. LONG TERM COMMITMENTS

Annual rental on long term leases of real property and equipment are \$112,580. Such leases expire at varying dates before 1983.

## 7. CONTINGENT LIABILITIES

Under an indemnity agreement relating to companies sold in 1966, the company may have to make a payment in respect of an examination report of the Internal Revenue Service for the years 1962-1966 which reflects additional tax, interest and penalties of approximately \$236,000. Legal counsel has given an opinion that the Internal Revenue Service report was ill-founded and a Statement of Protest has been filed. In the opinion of management this matter will be settled at minimal cost to the company.

Any payment that may be necessary relating to the above will represent a reduction in the selling price of the companies sold and, therefore, will be accounted for as a prior period adjustment to opening retained earnings and not as a charge against current earnings in future financial statements.

## 8. SUBSEQUENT EVENTS

Subsequent to the Balance Sheet date, the company sold to its parent company its U.S. subsidiary, Compro-Frink, for what management believes to be its fair market value. The subsidiary had operated at a loss for the year ended August 31, 1976. No profit or loss was realized on the sale. The company has received in consideration a term note bearing interest approximately equal to the effective rate of return the company had been making on its investment in Compro-Frink in recent years and repayable in equal instalments from 1979 to 1988.

Also subsequent to the Balance Sheet date, the company sold its Fort Garry Industries division for its net book value at August 31, 1976 of \$1,118,000.

## 9. ANTI-INFLATION ACT

The company and its Canadian subsidiary are subject to restraint of prices, profit margins, compensation and dividends under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975. Calculations completed to date indicate that the company may have a material amount of excess revenue. Because of changes in the guidelines and in the Board's interpretation of the companies' position, it is not possible to determine the amount at the present time, however, management believes that the determination of excess revenue, if any, would affect the companies' revenues and operating results in future years and not those of the year ended August 31 1976.

In accordance with the Anti-Inflation Regulations the amount of dividends which the company can declare or pay on its common shares prior to October 14, 1977 is limited to \$190,234.

**COMPRO LIMITED**

*365 Evans Avenue  
Toronto, Ontario M8Z 1K2*

**CANADIAN DIVISION**

**HAMILTON GEAR AND MACHINE COMPANY**

*Toronto, Ontario; Montreal, Quebec and Vancouver, B.C.*

**CANADIAN SUBSIDIARY**

**C.E.P. INDUSTRIES LIMITED**

**EASTERN STEEL PRODUCTS**

*Cambridge and Mississauga, Ontario, and Montreal, Quebec*

**FRINK CANADA**

*Cambridge and Mississauga, Ontario and Montreal, Quebec*

**U.S. SUBSIDIARY**

**COMPRO-FRINK CORPORATION**

**FRINK SNO-PLOWS**

*Clayton, New York*

**SOUTHEASTERN-WESTBROOK ELEVATOR**

*Atlanta, Georgia and Danville, Virginia*

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*Concord*

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**COMPRO  
LIMITED**

INTERIM REPORT

TO SHAREHOLDERS

FOR THE SIX MONTHS

ENDED FEBRUARY 29, 1976

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# COMPRO LIMITED

## To the Shareholders

Sales increased \$2,417,046 for the period. Net earnings increased to \$1,042,600. Consolidated working capital increased during the period by \$568,319.

The level of sales and earnings of the Canadian operations remained high during the period.

The rate of sales and earnings of the Company will not be maintained for the balance of the year because of the seasonal nature of the snow and ice control equipment segments of the Company. Also, lower earnings will be reported from other segments because of a downward trend of orders received and an indication of lower profit margins.

A considerable amount of uncertainty exists regarding the effects of the Anti-Inflation Act on the earnings of the Company. Certain interpretations of the Act and its related regulations indicate that a substantial amount of the earnings reported at this time could be subject to confiscation by the Government. The preponderance of these earnings arose from orders that were booked prior to October 14, 1975, the effective date of the Anti-Inflation Act. Furthermore, since that date there have been no price increases on any business booked by this company's Canadian operations. The very nature of the markets into which the company's products are sold ensure that all the business obtained is on a highly competitive basis.

Discussions are continuing with officers of the Anti-Inflation Board to resolve these uncertainties. To date nothing has occurred to enable management to be either optimistic or pessimistic as to a satisfactory solution to this particular problem.

M. O. Simpson, Jr.  
Chairman and President.

April 12, 1976

## INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

For The Six Months Ended February 29, 1976

	Feb. 29 1976	Feb. 28 1975
	\$	\$
SALES .....	16,676,486	14,259,440
EARNINGS BEFORE PROFIT ON SALE OF DANVILLE PROPERTY AND INCOME TAXES .....	1,672,201	1,024,811
ESTIMATED INCOME TAXES .....	752,601	492,911
	919,600	531,900
PROFIT, AFTER TAXES, ON SALE OF DANVILLE PROPERTY .....	123,000	—
NET EARNINGS FOR THE PERIOD .....	1,042,600	531,900
EARNINGS PER COMMON SHARE (after dividends on Preferred Shares) .....	\$1.61	77.9¢

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

For The Six Months Ended February 29, 1976

### WORKING CAPITAL PROVIDED BY:

#### Operations

Earnings for the period .....	1,042,600	531,900
Depreciation provided .....	222,641	210,305
	1,265,241	742,205
Sale of Danville property .....	137,269	—
	1,402,510	742,205

### WORKING CAPITAL APPLIED TO:

Dividends paid to preferred shareholders .....	55,000	55,000
Dividends paid to common shareholders .....	165,321	—
Additions to fixed assets .....	431,350	603,311
Net decrease (increase) in long term liabilities .....	182,520	(337,079)
Dover settlement .....	—	50,566
	834,191	371,798

INCREASE in working capital .....	568,319	370,407
WORKING CAPITAL at beginning of year .....	5,955,063	4,948,964
WORKING CAPITAL at end of period .....	6,523,382	5,319,371
CURRENT ASSETS .....	11,645,786	11,301,299
CURRENT LIABILITIES .....	5,122,404	5,981,928
	6,523,382	5,319,371